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**Report on the activities of the Office of Internal Oversight Services**

# Activities of the Office of Internal Oversight Services for the period from 1 July 2016 to 30 June 2017**

## Report of the Office of Internal Oversight Services

*Summary*

The present report is submitted pursuant to General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), 59/272 (paras. 1-3), 64/263 (para. 1) and 69/253 (para. 1). During the reporting period, from 1 July 2016 to 30 June 2017, the Office of Internal Oversight Services (OIOS) issued 374 oversight reports, including 11 reports to the General Assembly and 30 closure reports. The reports included 1,183 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness, of which 29 were classified as critical to the Organization. The financial implications of the recommendations issued by the Office during the period amount to approximately $16 million. The recommendations were aimed at cost savings, overpayments recovery, efficiency gains and other improvements. The financial implications of recommendations issued in prior periods that were satisfactorily implemented during the period totalled approximately $5 million. The addendum to the present report provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of the reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

The present report does not cover oversight results pertaining to peacekeeping operations and special political missions, which will be submitted to the Assembly in document A/72/330 (Part II) during the resumed seventy-second session.

* A/72/150.
** Excluding oversight of peacekeeping activities, which will be reported on in document A/72/330 (Part II).

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# I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly pursuant to resolution 48/218 B to enhance oversight in the Organization. It is operationally independent and assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through investigations, internal audits, inspections and evaluations.

2. The present report provides an overview of OIOS activities during the period from 1 July 2016 to 30 June 2017 but does not include oversight results pertaining to the Department of Peacekeeping Operations, the Department of Field Support, the Department of Political Affairs or the peacekeeping and special political missions, which will be submitted to the General Assembly in Part II of the report during the resumed seventy-second session of the Assembly. An addendum to the present report (A/72/330 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of the reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

# II. Professional initiatives

## A. Efforts to strengthen the functioning of the Office

3. OIOS aims to carry out its work with the highest standards of professionalism and efficiency. Some initiatives undertaken during the reporting period to achieve this goal are highlighted below.

### Internal Audit Division

4. The Internal Audit Division follows the mandatory guidance issued by the Institute of Internal Auditors. The guidance includes the core principles for the professional practice of internal auditing, the International Standards for the Professional Practice of Internal Auditing, the code of ethics and the definition of internal auditing.

5. During the year, OIOS engaged an external contractor to perform a quality assessment of the Internal Audit Division, as required by the Institute of Internal Auditors Standards. The report of the external assessment concluded that the Division generally conforms to the Standards.

6. The Internal Audit Division issued a new audit manual in March 2017, which incorporated recent revisions to the Standards and enhancements to audit processes and practices.

7. With a view to further improving and streamlining its annual risk assessment and work-planning process, the Internal Audit Division is revising its methodology to more effectively capture emerging risks and ensure that it is fully aligned with the Organization's enterprise risk management strategy and leading practices in risk assessment.

8. In order to be more effective in identifying and addressing fraud risks during audits and in enhancing its capacity to conduct fraud auditing, the Division is further developing its methodology and working with the Investigations Division to develop guidance and procedures for auditors. The guidelines will include major fraud schemes and scenarios. The Division is also continuing to strengthen its capacity to conduct performance audits through the provision of additional training and hands-on guidance for auditors.

9. Following the implementation of Umoja, the Internal Audit Division established a working group to strengthen its capacity to conduct audits in the Umoja environment. The working group identified risks, controls and audit scenarios in various operational areas, developed and tested standard audit procedures for extracting data from Umoja and is in the process of developing a user manual. The working group is also delivering training courses to auditors on how to use standard audit procedures to extract data from Umoja and enhancing their capacity to use data analytics in audits.

**Inspection and Evaluation Division**

10. The Inspection and Evaluation Division continued its capacity-development efforts with the assistance of the United Nations Laboratory for Organizational Change and Knowledge. Staff of the Laboratory facilitated a workshop to help the Division to identify ways of integrating change management principles into each stage of the evaluation process, with a view to better harnessing its evaluations as an opportunity for promoting meaningful organizational change and hence more effective, efficient achievement of Secretariat mandates. The Division also applied those principles to its own work and developed a set of actions through which it will aim to further streamline its work processes.

**Investigations Division**

11. From 2016 to 2017, the Investigations Division undertook a major recruiting exercise to reduce OIOS vacancy rates at Headquarters and regional offices and ensure the full mobilization of allocated resources. For a total of 22 vacancies, 6,416 applications from 2,275 individuals were received. Based on a four-part test, developed with the assistance of the Office of Human Resources Management, and interviews conducted by panels consisting of members from the regional offices of the Division, candidates were selected for clearance by the central review body.

12. The Investigations Division also led the way in establishing an inter-agency digital investigations working group, in January 2017, as a consultative forum of practitioners in the field of digital investigations. The working group, chaired by OIOS and consisting of representatives from the United Nations Development Programme, the World Food Programme, the United Nations Population Fund, the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund and the International Organization for Migration, issued a set of digital investigations guidelines in March 2017 to ensure the proper protection of the authenticity, integrity and confidentiality of digital evidence during investigations and to overcome the challenges of presenting digital evidence in the United Nations justice system.

13. The Operational Standards and Support Section continued to provide the Division with core intake secretariat and referral-processing services, advanced jurisdictional and programmatic research, assistance in developing guidance and procedures based on best practices, advice on legal and operational matters, ad hoc quality assurance reviews and data analysis for reporting purposes. Reviews are also being conducted in relation to the Division's internal policy and procedures for updating and improving operational efficiency.

14. In August 2016, the Investigations Division presented a week-long pilot training course to the immediate response team in the United Nations Stabilization Mission in Haiti, with the aim of building capacity and expertise in responding to incidents of sexual exploitation and abuse. In December 2016, the Division provided a two-day training workshop on investigative techniques, including investigative interviewing, to experts monitoring Security Council sanctions, and in

January 2017, it trained senior officials of the Organization for panel investigations into conduct prohibited under the Secretary-General's bulletin ST/SGB/2008/5. Furthermore, as part of a programme led by the United States of America to train military officials from Member States, the Division conducted sessions on investigating and responding to sexual exploitation and abuse during a military justice course presented by the Defense Institute of International Legal Studies.

*Combating fraud and corruption*

15. As part of the Organization's zero-tolerance approach to fraud and corruption, the Investigations Division has made robust efforts to identify risks and weaknesses in organizational governance, promote a culture of ethical integrity and combat fraudulent and corrupt activities, which pose serious financial, operational and reputational threats to the Organization. In particular, intake responsibilities have been further expanded with the new role of OIOS as the central intake mechanism for allegations of fraud and corruption in the Secretariat. The Division supported the Ethics Office in developing the Leadership Dialogue of 2016 on fraud awareness and a new compulsory online training programme on fraud and corruption, which is pending roll-out. Moreover, plans have been set to strengthen the Division's proactive operational response, according to which each of the three regional offices will focus on building capacity in a discrete risk area, namely, medical insurance fraud, educational grant fraud and implementing partner fraud.

## B. Cooperation and coordination

16. OIOS coordinated regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that gaps, duplication and overlap in oversight work were minimized. OIOS recognizes the value and importance of fostering relationships with its functional peers. During the reporting period, OIOS professionals actively participated in their respective professional networks, as described below. In addition, OIOS had discussions with the International Organization of Supreme Audit Institutions on practices related to the implementation of the Sustainable Development Goals.

17. The OIOS Inspection and Evaluation Division continued to play a role in the United Nations Evaluation Group. The Division participated in the Evaluation Group's working group on the Sustainable Development Goals on an ongoing basis and presented papers at the Evaluation Group's evaluation practice exchange, held in Vienna in May 2017. The presentations focused on two main topics: (a) how to think about transformative change in the context of evaluations that focus on United Nations peacekeeping; and (b) a framework for the follow-up and review of the Sustainable Development Goals by Secretariat entities. During the exchange, the Evaluation Group was urged to enhance its focus on peace and security in addition to the development and humanitarian sectors.

18. The Internal Audit Division contributed actively to the work of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. During the reporting period, the Division conducted two joint audits, one of the governance arrangements of the South Sudan Common Humanitarian Fund and the other of the management of activities funded by the Central Emergency Response Fund in Ethiopia. The audits focused on country-based pooled funds. However, owing to the limited coverage of those audits, OIOS is proposing to members of the Representatives of Internal Audit Services a revised strategy to expand the scope of future coordinated audits to cover

the humanitarian response at the level of clusters, which generally comprise all participating United Nations organizations.

19. The Investigations Division participated in the seventeenth Conference of International Investigators, which was hosted by the International Anti-Corruption Academy at its campus in Laxenburg, Austria, from 5 to 7 October 2016. At plenary sessions, two investigators of the Division gave presentations on issues related to combating fraud and corruption and the impact of immunities on investigators.

## III. Impediments to the work of the Office

20. There was no inappropriate limitation of scope that impeded the work or independence of OIOS during the reporting period.

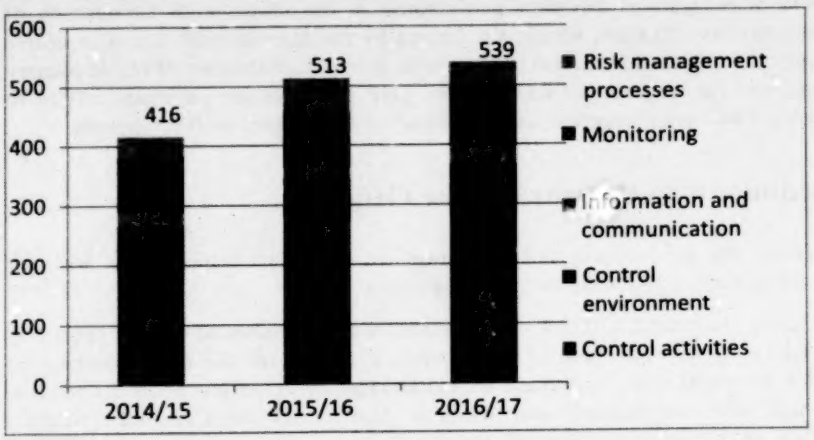
21. During the period, OIOS had discussions with a number of entities regarding the need for appropriate funding to be made available for the reimbursement of costs for oversight work performed on extrabudgetary activities. Such discussions were held with the International Residual Mechanism for Criminal Tribunals regarding an evaluation requested by the Security Council and with UNHCR regarding an evaluation that will be conducted in 2019 and subsequently reviewed by the Committee for Programme and Coordination. OIOS will continue with these discussions and include information in future annual reports on any impediments that arise as a result of the funding arrangements that are eventually agreed with those entities.

## IV. Internal audit recommendation trend analysis

22. Audit recommendations were classified using the five integrated components of internal control: control environment, risk assessment, control activities, [1] information and communication, and monitoring, as shown in figure I for the past three years. In each of those years, the bulk of the recommendations related to control activities. The figures reported in the present section of the report exclude reports and recommendations on peace operations; those figures will be reported separately in Part II.

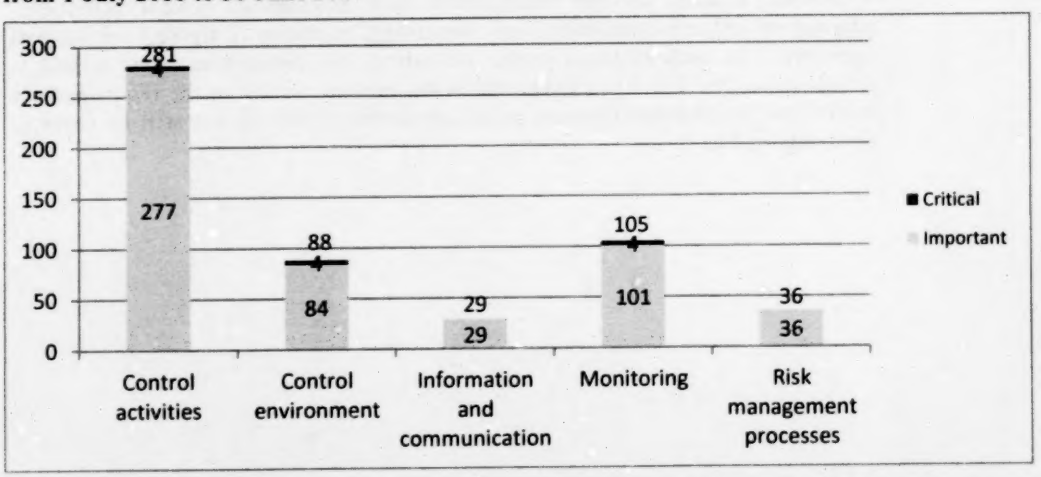
[1] Control activities are the policies, procedures and mechanisms that help to ensure that management's response to reducing risks is carried out.

Figure I
**Audit recommendations on non-peacekeeping activities, by control component**




23. Figure II shows the distribution of critical versus important audit recommendations issued during the reporting period, by control component. Specific information on all reports issued during the reporting period, including the number of critical and important recommendations, can be found in the addendum to the present report. Full audit reports are available on the OIOS website (https://oios.un.org).

Figure II
**Audit recommendations on non-peacekeeping activities, by control component, from 1 July 2016 to 30 June 2017**[a]




[a] Recommendations are classified as critical or important. Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review. Important recommendations address reportable deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

# V. Oversight results

24. The present section provides selected oversight results for the period under review.

## A. Internal Audit Division

25. Internal audit reports are available for review on the OIOS website. The selected significant and topical oversight results described below resulted in specific recommendations and management action plans that are outlined in the corresponding individual reports.

### Office of the United Nations High Commissioner for Refugees

26. During the period from 1 July 2016 to 30 June 2017, OIOS conducted 34 audits in UNHCR and issued 8 critical and 153 important recommendations.

*Recurring audit observations on vendor management and procurement activities*

27. In 2016, UNHCR field operations spent $774 million on acquiring goods and services. In 20 audits of field operations, OIOS made 20 recommendations, of which 3 were rated as critical to addressing systemic and persistent control weaknesses, such as the absence of annual procurement plans, the non-submission of procurement cases to the relevant committee on contracts, the award of contracts without tendering, and the excessive use of ex post facto notifications and waivers of competitive bidding. The critical recommendations related to the need: (a) to review structural, staffing and training requirements in procurement management; (b) to regularize contracts and review past payments made without contracts; and (c) to prioritize the review and clean-up of the vendor database.

*Recurring audit observations on planning and resource allocation*

28. OIOS made 11 important recommendations relating to planning and resource allocation in 11 audits of field operations. Some of the recurring issues in those recommendations related to the need for UNHCR: (a) to ensure the completeness and reliability of refugee registration data for planning purposes; (b) to develop protection strategies and/or related implementation plans and standard operating procedures for key protection priorities; and (c) to strengthen the establishment of performance and impact indicators and related data collection mechanisms.

*Recurring audit observations on partnership management*

29. In 2016, UNHCR spent $1.44 billion through its partnerships. In 18 audits of field operations, OIOS made 18 recommendations, of which 1 was critical. The recurring issues related to the need to ensure: (a) the monitoring of project activities through a risk-based and multifunctional approach; (b) compliance with the requirements for selection and retention of partners; (c) adequate processes for the designation of procurement authority to partners; and (d) the timely signing of project partnership agreements.

*Audit of the arrangements for fleet management*

30. OIOS conducted a thematic audit of fleet management, covering expenditure of $243 million. While some actions had been implemented to address weaknesses in fleet management, UNHCR needed: (a) to provide support to country operations in fleet planning; (b) to strengthen the monitoring of global fleet management

performance; (c) to implement procedures and systems for its vehicle rental programme; (d) to develop guidance on vehicle maintenance and repair contracts; (e) to strengthen controls over fuel management in country operations; and (f) to improve the functioning of the global vehicle insurance scheme.

*Audit of the management of the medical insurance plan*

31. OIOS conducted a thematic audit of the management by UNHCR of its medical insurance plan, covering expenditure of $14 million. UNHCR had put in place adequate arrangements for the investment of funds and had established the regional area of care arrangement under the medical insurance plan scheme. However, UNHCR needed: (a) to strengthen governance arrangements over the plan; (b) to ensure adequate financing of after-service health insurance liabilities; (c) to review premiums, the level of funds in the reserve fund and administrative costs; (d) to provide additional guidance to field operations on the administration and implementation of the plan; and (e) to further enhance service delivery.

*Audit of the management of vendor review committees and committees on contracts*

32. OIOS conducted a thematic audit of the management by UNHCR of vendor review committees and committees on contracts, covering expenditure of $34 million. The audit identified a need for UNHCR: (a) to strengthen arrangements for monitoring the establishment and effective functioning of vendor review committees in field operations; and (b) to clarify the roles, responsibilities and control mechanisms for monitoring the establishment and effective functioning of regional and local committees on contracts.

*Audit of the Biometric Identity Management System*

33. OIOS reviewed the implementation and management of the Biometric Identity Management System, covering expenditure of $8.7 million. The system was fully operational and had the potential to contribute to significant benefits for the planning of field operations. However, UNHCR needed: (a) to strengthen the strategy for the global roll-out of the system; (b) to provide further guidance, benchmarks and assistance to country operations on the use thereof; (c) to develop operational guidelines on the protection of personal data; (d) to strengthen controls over project reviews; (e) to enhance oversight of key project decisions; and (f) to strengthen the benefits realization review of information and communications technology (ICT) projects in general.

*Audit of the management of livelihoods and self-reliance programmes*

34. OIOS conducted a thematic audit of the livelihoods and self-reliance programmes of UNHCR, covering expenditure of $122 million. UNHCR had successfully carried out surveys to establish a global baseline on the status of compliance with the minimum criteria for livelihoods programming. However, UNHCR needed to ensure that: (a) country operations conduct socioeconomic baseline and market assessments and use those inputs for preparing livelihoods strategic plans; (b) experts are deployed to operations with significant livelihoods expenditures; and (c) partner selection and monitoring of livelihoods projects are strengthened.

**Office for the Coordination of Humanitarian Affairs**

35. During the reporting period, OIOS issued 7 final reports and made 33 recommendations to the Office for the Coordination of Humanitarian Affairs, including four of its country operations.

*Audit of resource mobilization in the Office*

36. The Office had produced a number of publications and other information products to support resource mobilization and advocacy for financing humanitarian response plans. However, the Office needed: (a) to develop an overall policy instruction to outline the key principles, inter- and intra-organizational relationships and roles of the various functions involved in its resource mobilization; and (b) to develop an overall contingency plan in the event of a sudden decline in donor contributions to its extrabudgetary programme budget.

*Audit of human resources management in the Office*

37. The Office had deployed staff through regular recruitment, temporary job openings and surge staffing, using five roster mechanisms. However, the Office needed to develop a workforce planning and human resources management strategy to effectively attract, develop and retain staff and streamline the Office's framework for supporting human resources management. The Office also needed to comply with guidance on the delegation of authority, which restricts the appointment of staff at the Assistant Secretary-General level to the Secretary-General. The Office did not accept this recommendation, which was escalated to the Executive Office of the Secretary-General for review and appropriate action.

*Audit of the Coordination and Response Division*

38. The Office had periodically reviewed its country operations and exercised adequate control to support United Nations resident and humanitarian coordinators on natural disasters and complex emergencies. However, the Office needed: (a) to align its strategic plans and reporting of programmatic and financial information with its core functions and biennial strategic framework; (b) to revise its organizational structure to optimize the delivery of each core function; and (c) to evaluate viable options to improve its administrative support systems as part of a comprehensive strategy to exercise special measures under General Assembly resolution 46/182. OIOS also noted that the Office had commissioned a functional review and, on the basis of the results thereof, deployed a change management unit to review and develop an action plan to improve its business model and implement organizational changes anchored on its five core functions.

*Audits of country operations in the Central African Republic, Ethiopia, Mali and the Sudan*

39. The Office's country operation in the Central African Republic had established a technical secretariat and implemented a programmatic project monitoring concept to support the humanitarian coordinator in his programming, allocation and oversight responsibilities. However, it needed: (a) to review the services provided by the managing agent, identify gaps and take necessary action; (b) to establish a service-level agreement with the local service provider; and (c) to ensure the quality and timeliness of the reporting to the Central Emergency Response Fund. In Ethiopia, the Office had established an effective coordination process to manage the emergency humanitarian response but needed to seek legal advice from the Office of Legal Affairs on agreements relating to the disbursement of funds for implementation by a consortium of implementing partners and ensure that adequate controls were in place to safeguard the resources made under this funding modality. In Mali, the Office had established key aspects of the coordination structure to manage the humanitarian response but needed to strengthen the role of the cluster system. In the Sudan, OIOS concluded that the administrative operations of the Office had been effectively managed in general.

**Office of the United Nations High Commissioner for Human Rights**

*Audit of the support provided by the Office of the United Nations High Commissioner for Human Rights to the human rights treaty bodies*

40. The Office of the United Nations High Commissioner for Human Rights (OHCHR) needed: (a) to document its implementation strategy for the treaty body system capacity-building programme, including the arrangements for coordination between the OHCHR divisions involved in implementing the programme; and (b) to prioritize the development of the new petitions database to enhance efficiency and effectiveness in processing petitions. There was also a need to strengthen the management of travel of members of treaty bodies and grants under the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

**United Nations Office on Drugs and Crime**

*Audit of the operations of the United Nations Office on Drugs and Crime in South-East Asia and the Pacific*

41. The United Nations Office on Drugs and Crime Regional Office for South-East Asia and the Pacific needed to develop a fundraising action plan to accompany its donor mapping strategy and strengthen coordination arrangements between global, regional and country programmes. The Regional Office also needed to strengthen controls over the procurement and administration of grants and to determine the optimal staff positions that need to be assigned financial and administrative roles within the Umoja system to effectively support its operations.

**United Nations Office at Geneva**

*Risk assessment of the strategic heritage plan of the United Nations Office at Geneva*

42. The risk assessment results assisted the United Nations Office at Geneva in its risk assessment efforts and enabled OIOS to develop an internal audit plan to be used to direct audit resources to those aspects of the strategic heritage plan that represented the highest risks. OIOS will regularly update the risk assessment and internal audit plan and use it to determine the resources needed to provide effective internal oversight on this project.

*Audit of the administration of medical insurance at the United Nations Office at Geneva*

43. The existing reserves were above the levels recommended in the Statute of the United Nations Staff Mutual Insurance Society against Sickness and Accidents and needed to be defined, approved by the Director General and communicated to members as required by the Statute. In addition, the United Nations Staff Mutual Insurance Society needed to strengthen various aspects of its relationship with participating organizations, programme management and administrative arrangements, including: (a) to establish work-planning and risk management systems; (b) to strengthen the implementation of its anti-fraud policy; (c) to establish mechanisms for periodic reconciliations and independent reviews to ensure that records of participating organizations that do not use Umoja are accurate and complete; and (d) to initiate a formal procurement process for the selection of a vendor/agent for cost containment in the United States.

**United Nations Office at Vienna**

*Audit of the use of short-term staff and contractors for the provision of conference services at the United Nations Office at Vienna*

44. The United Nations Office at Vienna needed to resolve the issue of funding core functions with non-post resources and perform risk assessments, including those relating to the use of short-term staff and contractors. The Office also needed to strengthen the arrangements relating to quality control, the conduct of reference checks of candidates recruited as short-term staff and performance evaluations of short-term staff and contractors.

**United Nations Human Settlements Programme**

*Audit of the United Nations Human Settlements Programme project management process*

45. The United Nations Human Settlements Programme (UN-Habitat) had established policies and procedures governing the project management process. However, the process needed to be strengthened by: (a) systematically analysing and mitigating project risks; (b) enhancing the programme accountability framework by providing more details on the roles, responsibilities and accountabilities of staff; (c) enhancing controls relating to project approval, monitoring, reporting and financial closure; (d) ensuring that necessary resources are provided for project evaluations; (e) developing a strategy and long-term solution to reduce reliance on consultants performing the functions of supervisors and regular staff; and (f) updating the programme and project cycle management manual and consolidating the policies and procedures for implementing partners.

**Information and communications technology**

*Audit of Umoja change management in the Office of Enterprise Resource Planning — Umoja, Department of Management*

46. The Office of Enterprise Resource Planning — Umoja had established some good change management procedures for managing the improvements of the Umoja system, including the establishment of the change control and change advisory boards, the use of a change control tracking system and the development of change control guidelines. However, there were control weaknesses owing to the need: (a) to update the criteria for significant and emergency change requests; (b) to implement regular monitoring mechanisms for compliance with established access and change control procedures; (c) for a log management policy; and (d) to review and update procedures for managing change and transport requests.

*Audit of Umoja implementation in Nairobi-based entities*

47. The Umoja deployment group at the United Nations Office at Nairobi had reported to the Controller and the Office of Enterprise Resource Planning — Umoja some 185 issues for further review and analysis. However, the majority of the issues had not been resolved at the time of the audit. Owing to inadequate controls at the United Nations Office at Nairobi for the management user role and accounts, there were also weaknesses in the mapping of user roles and the monitoring of Umoja accounts and associated software licensing fees. In addition, inadequate configuration and testing of automated controls in Umoja for financial data, transactions and processes, and inadequate reporting functionalities had led to processing delays, errors in the processing of payments and of human resources and travel transactions, and unreliable financial reporting.

48. OIOS also noted weaknesses at the United Nations Office at Nairobi with regard to the review of the human resources benefits realization and the assessment of changes relating to organizational and position management. The lack of adequate payroll reports prevented the validation of employees by cost centre managers, and there were implementation issues relating to inadequate training material and the identification and assessment of connectivity arrangements to Umoja for office locations not supported by the Secretariat.

## B. Inspection and Evaluation Division

49. During the reporting period, the OIOS Inspection and Evaluation Division issued seven non-peacekeeping reports, of which six were submitted formally to the Committee for Programme and Coordination for consideration in June 2017.

50. In its report on strengthening the role of evaluation and the application of evaluation findings on programme design, delivery and policy directives (A/72/72), OIOS noted some strengthening of the evaluation function in 2014-2015 compared with the previous biennium, as evidenced by an increase in the number of entities with relevant policies and plans and greater adoption of key procedures. However, the number of reports issued declined, and the reported expenditure for those reports accounted for approximately 73.7 per cent of the amount allocated to discretionary self-evaluation in the budget for that biennium. Therefore, OIOS made one recommendation to entities to better align the budgeting for resources with their evaluation plans and expected outputs.

51. In its evaluation of the Office for the Coordination of Humanitarian Affairs (E/AC.51/2017/11), OIOS focused on the Office's advocacy function, an integral aspect of its mandate. OIOS uncovered positive results in some areas, such as influencing normative discussion and debate by intergovernmental bodies and negotiating humanitarian access, and more mixed results in other areas, for example, optimizing the role of the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator as chief advocate on specific crises, influencing Security Council deliberations on crises and cross-cutting issues and obtaining financing to meet the full scope of humanitarian needs, and the Office's advocacy on the World Humanitarian Summit, owing to a range of internal and external factors. Although the Office has invested considerable resources in developing tools, policies, strategies and guidance to manage the advocacy function, advocacy remains the one core aspect of its mandate for which it has not implemented a coherent, cohesive framework for providing overall strategic direction in this area. Moreover, a senior-level advocacy post has been occupied by four temporary replacements since the post was vacated in 2012.

52. In its evaluation of UNHCR (E/AC.51/2017/10), OIOS focused on the agency's role in the registration of refugees and asylum seekers. Although registration responsibilities ultimately reside with the country in which refuge or asylum is sought, the registration role of UNHCR varies widely. In some countries, the host Government undertakes registration alone; in others, UNHCR supports the registration work of host Governments in a variety of ways or leads the registration process. In seeking to adapt to such a wide range of contexts, UNHCR has played a relevant and, in many cases, crucial registration role. In the report, it is underlined that, for those who had received assistance, protection and durable solutions, registration had often been essential to the realization of those outcomes. At the same time, UNHCR had struggled to ensure that resources were able to keep pace with the heightened importance of and increased demand for registration. In some operations, the agency had created efficiencies to help it to partially address that

challenge. In other cases, the struggle had put persons of concern at increased risk of human rights violations.

53. In its evaluation of OHCHR (E/AC.51/2017/9), OIOS focused on the implementation of the OHCHR mandate by field offices. OHCHR has the dual and complementary roles of facilitating the establishment of global human rights norms and standards and assisting with their implementation on the ground. The evaluation concluded that OHCHR field offices had contributed to sustainable human rights outcomes in the countries and regions in which they work, including through the creation or strengthening of human rights institutions, the drafting and passing of laws consistent with international standards, direct assistance to constitutional reform and the development of national human rights plans and policies. Within the United Nations system, OHCHR field presences had supported the enhanced integration of human rights into common processes, such as common country assessments and United Nations development assistance plans. However, there were substantial gaps in the geographical coverage of OHCHR. Despite an overarching goal to support all countries with a United Nations presence, close to 20 per cent of countries did not receive direct OHCHR assistance. Moreover, OHCHR had been unable to meet many of the requests for support from countries and United Nations country teams, owing to a lack of sufficient capacity.

54. In its thematic evaluation of the regional commissions (E/AC.51/2017/8), OIOS examined the relevance and effectiveness of the commissions' statistical work in support of measuring the achievement and implementation of internationally agreed development goals. The evaluation concluded that the regional commissions had effectively enhanced Member States' capacity to produce high-quality statistics. However, fewer interventions had focused on strengthening the dissemination and use of statistics, and the results of those interventions had been more mixed. Overall, the regional commissions had been largely responsive to the statistical support needs of Member States in the lead-up to the adoption of the 2030 Agenda for Sustainable Development. As the Sustainable Development Goals were implemented, demand for statistical support was expected to grow, but the regional commissions did not have sufficient capacity to meet that increase, especially in certain key areas. Notwithstanding some efficiency gains achieved through coordination and collaboration within and among the regional commissions, there was scope for further improvement in that regard.

55. OIOS examined the Executive Office of the Secretary-General (E/AC.51/2017/7) with regard to its critical role in supporting the Secretary-General and its unique cross-pillar position and convening power. OIOS concluded that the Executive Office's high-calibre and hard-working staff provided effective support to the Secretary-General, though with some inefficiencies. The main gap identified by OIOS was the insufficient time and capacity for holistic longer-term policy planning in the Executive Office. OIOS also noted a decline in formal collective decision-making and some overlaps in the political functions of the Deputy Secretary-General and Chef de Cabinet. Special initiatives in the Office had helped to spur action on key priorities but had led to some concerns about duplication with substantive departments. In November 2016, OIOS presented preliminary findings to the transition team of the Secretary-General, and the team and the current Executive Office have taken key steps to address some of the issues identified in that report. These include: (a) the formation of an executive committee for senior-level decision-making; (b) the establishment of two new senior positions, the Assistant Secretary-General for Strategic Coordination and the Special Adviser on Policy; and (c) the reversal of the functions of the Deputy Secretary-General to those set out in General Assembly resolution 52/12 B.

## C. Investigations Division

56. From 1 July 2016 to 30 June 2017, 234 matters pertaining to non-peacekeeping operations were reported to the Investigations Division, representing an increase of 2 per cent over the previous year and comprising 39 per cent of all reported matters. Following an evaluation through the intake process, 64 matters were assigned for OIOS investigation, 115 matters were referred or were in the process of being referred to other entities, 35 were closed without further action or filed for information, 11 were consolidated with other cases, 2 remain in suspense and 7 are pending review (see table 1).

57. The number of non-peacekeeping matters that were referred to other entities increased by 21 per cent from the previous year and by 49 per cent compared with two years ago. Average processing time for referrals decreased to 33 days, compared with 50 days the previous year and 57 days two years prior.

Table 1
**Predicated investigations and referrals on non-peacekeeping activities by category**

| | *Investigations* | | *Referrals* | |
|---|---|---|---|---|
| *Category* | *Number* | *Percentage* | *Number* | *Percentage* |
| Criminal activity | 12 | 19 | 4 | 3 |
| Financial | 3 | 5 | 9 | 8 |
| Fraud/presumptive fraud | 15 | 23 | 14 | 12 |
| Misuse of office/position | 6 | 9 | 12 | 10 |
| Personnel | 9 | 14 | 34 | 30 |
| Procurement | 1 | 2 | 1 | 1 |
| Prohibited conduct | 3 | 5 | 17 | 15 |
| Recruitment | 3 | 5 | 18 | 16 |
| Retaliation | 7 | 11 | 3 | 3 |
| Sexual exploitation and abuse | 5 | 8 | 3 | 3 |
| **Total** | **64** | **100** | **115** | **100** |

58. In total, 37 non-peacekeeping investigation reports were issued during the reporting period (see table 2). In 31 of those reports, the allegations were substantiated, while in 6 they were not. The average time taken to complete an investigation and issue the report was 10 months.

Table 2
**Non-peacekeeping investigation reports issued during the reporting period**

| *Category* | *Number* |
|---|---|
| Criminal activity | 6 |
| Financial | 6 |
| Fraud/presumptive fraud | 5 |
| Inventory/assets | 1 |
| Misuse of office/position | 1 |
| Personnel | 9 |

| *Category* | *Number* |
|---|---|
| Procurement | 2 |
| Recruitment | 1 |
| Retaliation | 5 |
| Sexual exploitation and abuse | 1 |
| **Total** | **37** |

59. The Division investigated several significant fraud and corruption cases, ranging from asset misappropriation and fraudulent invoices to bribery and embezzlement. Notably, it investigated cases of corruption by high-level officials linked to the former President of the General Assembly, issuing five investigation reports establishing misconduct (case Nos. 0153/16, 0191/16, 0261/16, 0528/15 and 0554/15). OIOS investigations, conducted in close cooperation with national authorities, revealed that a total of $2,692,250 contributed by 13 Member States had been paid into the former President's private account and that those funds had been unduly diverted for the personal gain of various high-level United Nations officials.

60. In case No. 0528/15, the OIOS investigation found that a Director-level staff member had authorized the alteration of a General Assembly letter through which he had learned of business opportunities and that he had accepted gifts and complimentary travel from an entity seeking further business with the Organization. It was also found that a family member of the staff member was employed by the entity. The findings of OIOS were referred to the Office of Human Resources Management, and, because the staff member had already separated from the Organization, a note was placed in his official status file.

61. In case No. 0554/15, also implicating a Director-level staff member, the OIOS investigation found that the staff member had participated in the scheme to solicit funds from Member States on behalf of the Organization, whereupon contributions were deposited into the account of the former President of the General Assembly for inappropriate diversion and use. Because the staff member had separated from the Organization, a note was placed in her official status file and it was decided that the OIOS investigation report would be disclosed to the authorities of her home country.

62. The Division also investigated cases relating to a scheme at the United Nations Office at Nairobi to defraud various non-United Nations persons and entities. In the three investigation reports issued (case Nos. 0016/16, 0545/16 and 0609/16), it was found that personnel from the United Nations Office at Nairobi and UN-Habitat and an employee of a vendor of the Office had been complicit in schemes to receive undue solicitation fees by inviting non-United Nations persons onto the Office's premises and inducing them to sign fraudulent contracts for the supply of goods or services to the Organization. As a result of these findings, a staff member was separated with compensation in lieu of notice without termination indemnity and a note was placed in the official status file of another staff member, who had already separated from the Organization. OIOS also issued an advisory recommending that the Department of Safety and Security at the Office, in consultation with the Information and Communications Technology Section, implement measures to address deficiencies in the Office's visitor entry system.

63. At the United Nations Office at Geneva and OHCHR, the Division investigated cases relating to fraudulent medical claims (case Nos. 0098/16 and 0157/16).

64. In case No. 0098/16, the OIOS investigation found that a staff member of the United Nations Office at Geneva had knowingly submitted 42 forged medical certificates in order to obtain 140 days of undue certified sick leave and had misused her medical insurance benefits by submitting a total of 8 fraudulent medical claims, consisting of 16 invoices, for which she received approximately $36,850. The investigative findings were referred to the Office of Human Resources Management, and the staff member was separated with compensation in lieu of notice without termination indemnity and fined one month's net base salary. The Organization also initiated financial recovery against the staff member, and the matter was referred to the authorities of her home country, upon consultation with the Office of Legal Affairs.

65. In case No. 0157/16, the OIOS investigation found that an OHCHR staff member had altered medical invoices and had been unduly reimbursed the amount of $3,044. The staff member took early retirement before the disciplinary proceeding was completed. The Organization initiated financial recovery against the staff member before she was separated, and the matter was also referred to the Office of Legal Affairs with a view to referring the case to the law enforcement authorities of the staff member's home country.

#### Enhancing measures against retaliation

66. In January 2017, the Secretariat issued an updated version of the Secretary-General's bulletin on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations (ST/SGB/2017/2). In the new bulletin, certain issues were clarified and the emphasis on protecting whistle-blowers was renewed. In order to effectively implement the provisions of the bulletin, the Investigations Division held discussions with the Ethics Office to strengthen coordination and cooperation. From 2016 to 2017, the Division also investigated five cases of alleged retaliation (case Nos. 0214,16, 0374/16, 0435/16, 0459/16 and 0489/15) and provided its findings to the Ethics Office to determine the appropriate action. The Ethics Office concluded that one case was substantiated and two were unsubstantiated. The other two cases are pending an outcome. In addition, pursuant to section 5 of the bulletin, reports of misconduct to OIOS were analysed for potential risk of retaliation and the risks identified from such analyses were referred to the Ethics Office for appropriate preventive action.

#### Monitoring unauthorized outside activity

67. Unauthorized outside activity has been another major area of concern in the Organization. The Investigations Division investigated five cases (case Nos. 0016/17, 0237/16, 0279/16, 0329/15 and 0390/15) involving unauthorized activity, ranging from business operations to contractual work. The findings of these investigations resulted in penalties, including a written reprimand and a censure with loss of steps and a fine.

## VI. Mandated reporting requirements

### A. United Nations Joint Staff Pension Fund

68. In its resolution 71/265, the General Assembly requested the Secretary-General to entrust OIOS with conducting a comprehensive audit of the United Nations Joint Staff Pension Fund's policies on, inter alia, risk management, investment management and other administrative processes and to report to the

General Assembly at its seventy-second session on key findings in the context of the annual report on the activities of the Office.

69. In accordance with a risk-based three-year rolling workplan, OIOS provides continuous audit coverage of the governance, risk management and control systems and the administrative processes of the Fund's secretariat and Investment Management Division.

70. During the period from 1 July 2016 to 30 June 2017, OIOS conducted 6 audits in the Fund and issued 2 critical and 41 important recommendations, of which 9 important recommendations were not accepted. As at 30 June 2017, of the 34 accepted recommendations, only 1 important recommendation had been implemented and the others remained open, including 2 critical recommendations pertaining to the audit of the management of delays in processing pension benefits. Of the unaccepted recommendations, four related to the audit of business continuity and disaster recovery in the Fund's secretariat, four pertained to the audit of the trade order management system in the Investment Management Division and one related to cash management in the Fund's secretariat. In view of the significant residual risks, including the risk to the reputation of the United Nations, OIOS reiterated those recommendations. However, they were closed without implementation owing to management's acceptance of the residual risks.

71. Key findings for the period from 1 July 2016 to 30 June 2017 are highlighted in the paragraphs below.

*Audit of cash management in the Fund's secretariat*

72. Overall, the procedures used by the Fund's secretariat for managing short-term liquidity requirements were adequate. However, the secretariat needed: (a) to update its procedures for the reconciliation of monthly contributions and ensure that the reconciliation of contribution receipts and contribution statements are conducted monthly; and (b) to remove a contract provision relating to offshore banking services in view of the special status of the United Nations.

*Audit of cash management in the Investment Management Division of the Fund*

73. The Investment Management Division needed to consider its currency risk, portfolio allocation strategy and operational requirements in performing cash flow forecasting and extend the cash forecast beyond the five-day period to effectively manage its cash portfolio. In order to improve foreign exchange operations, there was a need to develop clear and well-defined guidelines, enhance controls over monitoring and oversight of trades, develop tools to analyse transaction costs and conduct competitive bidding for foreign currency trades.

*Audit of the management of delays in the processing of pension benefits in the Fund*

74. The Fund's secretariat had established task forces and sought additional resources to address the delays in the processing of pension benefits. However, the Fund needed, inter alia: (a) to systematically update its risk register on the basis of inputs from the managers concerned and develop appropriate mitigation plans to eliminate the delays in a time-bound manner; (b) to expedite the recruitment for long-vacant positions; (c) to establish key performance indicators for all of its benefit-processing activities; (d) to take effective steps to improve its performance with regard to client services and the processing of pension entitlements; (e) to establish performance metrics to monitor and report on all types of outstanding cases; (f) to establish operational-level agreements to define responsibility and accountability for the timely submission of documents and follow-up of incomplete

documentation; and (g) to review duplicate "open" and "pending" cases after the requested documents are received.

*Audit of the new trade order management system in the Investment Management Division*

75. The new system had enabled transparent trade order processing with integrated compliance review, and portfolio holdings had been electronically linked to market data, custodian banks and the master record keeper. The user logon process in the system was secure and required a combination of a password and the user's finger imprint. However, the Division needed: (a) to document and implement a comprehensive ICT security plan for the system; and (b) to strengthen controls in the areas relating to project management, user acceptance testing, change management and the finalization of the requirements for the retention of the system's emails and instant messages.

*Audit of the management of real assets and alternative investments in the Investment Management Division*

76. While portfolios of real assets and alternative investments had positively contributed to the Fund's overall investment performance, the Investment Management Division needed to demonstrate an integrated approach with the strategic investment and risk objectives for portfolios. The Division conducted an extensive review process prior to investing in real estate and private equity funds. However, no criteria had been articulated, setting forth the requirements for prospective investments and guiding the decision-making process. The process therefore relied heavily on the expertise and judgment of the portfolio managers. For the real assets portfolio, there was a need: (a) to facilitate the reconciliation process for performance and transactional data between the master record keeper and the external investment adviser; (b) to further analyse and implement the appropriate benchmarks; (c) to have the master record keeper measure the investment performance in compliance with the Global Investment Performance Standards; and (d) to prepare the cash-flow projections.

*Audit of business continuity and disaster recovery in the Fund's secretariat*

77. The Fund's secretariat determined that monthly payroll processing for all current retirees and beneficiaries worldwide was the core activity requiring business continuity and disaster recovery planning. Except for payroll processing, the Fund's strategy did not include continuity and recovery plans for other core processes, such as pension entitlements and client services, even though their impact in the event of a disaster was assessed as "high" or "catastrophic". There was a need to align the Fund's business continuity strategy with the results of its business impact analysis and ensure the completeness of the related procedures and tests to ensure an adequate response in the event of a disruption. The Fund's secretariat did not accept four of the six recommendations made.

## B. International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

*Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda*

78. Pursuant to General Assembly resolution 71/267, OIOS conducted an audit of the effectiveness of the liquidation activities at the International Criminal Tribunal for Rwanda. There were significant lessons to be learned from the weaknesses in the planning, budgeting and management of the Tribunal's liquidation phase. These included the need for: (a) clear policy guidance on liquidation activities; (b) adequate planning of liquidation activities; (c) review and monitoring of liquidation plans; (d) accurate budgeting of staff entitlements; and (e) effective oversight from Headquarters on liquidation activities, including the use of delegated authority. In addition, the International Residual Mechanism for Criminal Tribunals needed to expedite the relocation of the Tribunal's archives from the rented building at the Arusha International Conference Centre and complete the handover of the rented premises.

79. The Mechanism did not accept the part of the recommendation addressing the need to expedite the correction of defects at the new facility of the Mechanism's archives and records section at Lakilaki to enable the relocation of the Tribunal from the rented premises at the Arusha International Conference Centre and the handover of the rented premises. OIOS maintained that this recommendation related to significant residual risk that needed to be mitigated, but the recommendation was closed without implementation on the basis of the Mechanism's response.

## C. International Residual Mechanism for Criminal Tribunals

*Audit of the construction of the new office facility of the International Residual Mechanism for Criminal Tribunals*

80. Pursuant to General Assembly resolution 67/244 B, OIOS conducted an audit of the construction of the new office facility of the Mechanism in Arusha. The overall management of the construction of the new office facility had been adequate, and administrative processes and procedures were in place to support the implementation of the project. The facility had been inaugurated on 25 November 2016 and declared substantially complete on 1 December. However, the Mechanism needed: (a) to seek advice from the Procurement Division and the Office of Legal Affairs on the recovery of delay damages of up to $661,400 from the construction contractor; and (b) to pursue claims relating to value added tax with the local revenue authorities until they are fully reimbursed.

## D. Construction activities

*Audit of major construction and alterations projects in the Economic and Social Commission for Asia and the Pacific*

81. In its resolution 71/272, the General Assembly approved a proposal to undertake a seismic mitigation retrofit and life cycle replacement project in the Economic and Social Commission for Asia and the Pacific (ESCAP). The estimated

maximum cost of the project is $40 million, to be implemented in six phases by 2023. For the biennium 2016-2017, $1.3 million had been allotted to the project from the programme budget, sections 19 and 33.

82. ESCAP had satisfactorily completed project pre-planning activities, filled four of five project management positions, established a project stakeholders committee and developed a project management plan. However, ESCAP needed: (a) to finalize the administrative and coordination agreement to formalize the roles and responsibilities for oversight arrangements; (b) to update the project management plan to include a change management plan and communications strategy; (c) to prioritize the development of a strategy for identifying and securing suitable swing space for the duration of the project; and (d) to establish necessary legal capacity at ESCAP. In addition, the Office of Central Support Services and the Office of Human Resources Management needed to review whether the current level of delegation of authority in human resources management and procurement activities is appropriate to effectively manage major construction projects.

*Audits of major construction and alteration projects in the Economic Commission for Africa*

83. OIOS finalized two audits of construction activities at the Economic Commission for Africa (ECA) during the year. The audits covered four major construction activities, including the new office facility with approved funding of $15.3 million, internal access roads and a parking facility budgeted at $1.7 million, ancillary projects of the new office facility, including the installation of generators, a generator house, site lighting, sanitary works and interior partitions, budgeted at $1.9 million and the renovation of Africa Hall, including the construction of a visitor centre, budgeted at $56.9 million.

84. A review of an agreement between ECA and a road authority in Ethiopia to construct internal access roads and a parking facility identified the need for ECA to seek ex post facto review and approval of the agreement by the Assistant Secretary-General for Central Support Services. In addition, ECA needed: (a) to remind all staff involved in the procurement process to act within their delegated authority; (b) to remind procurement officers to resubmit changes to awards previously recommended by the Headquarters Committee on Contracts to the Committee for review before being effected; (c) to propose adjustments to the staffing management plan necessary for the renovation of Africa Hall to ensure that the skills gap identified in the project team is mitigated; (d) to finalize oversight arrangements for the renovation of Africa Hall; and (e) to seek appropriate delegation of financial and procurement authority to carry out the renovation.

85. In the second audit, ECA had established the management team of the Africa Hall renovation project. However, ECA needed: (a) to expedite the appointment of members to the Advisory Board; (b) to formulate a strategy for soliciting voluntary contributions from private entities and obtain related clearance from the Office of Legal Affairs; (c) to finalize the updated business case for the Visitor Centre and report thereon in the context of the Secretary-General's next progress report on the renovation of conference facilities; and (d) to request the General Assembly to take note of the cost implications of the change in the relocation strategy of tenants of Africa Hall. In addition, the Office of Central Support Services needed to incorporate an approach for addressing fraud and corruption risks into the risk management framework of the renovation project.

## E. United Nations Compensation Commission

86. The United Nations Compensation Commission was created in 1991 as a subsidiary organ of the Security Council to process claims and pay compensation for losses and damages suffered as a direct result of the invasion and occupation of Kuwait by Iraq. Successful claimants are paid out of the Compensation Fund, which receives 5 per cent of Iraqi oil export revenues. Of the approximately $52.4 billion in compensation awarded, $47.8 billion has been paid, leaving an outstanding balance of $4.6 billion remaining to be paid. The Governing Council of the Commission, in its decisions 272 of 2014, 273 of 2015 and 274 of 2016, postponed the obligation of Iraq to deposit 5 per cent of the proceeds generated by the export sales of Iraqi petroleum and petroleum products until 1 January 2018. Thus, no compensation payments have been made since October 2014. Consequently, no audit work was performed from 2015 to 2017.